Newsletter **Fall 2024**

The Philadelphia Area Chapter

Newsletter for the Philadelphia Area Chapter of BetterInvesting - Volume 4 Issue 2

The Philadelphia Chapter of BI Newsletter

President's Corner, Fall, 2024 As fall approaches, we, as investors can't help but remember that this season has historically seen more than its share of market volatility, significant dips, recessions, and crashes. It's a scary time when our stocks go down. We know our own feelings of anxiety should not cause us to make rash decisions about our portfolios—especially when the market surprises us. The market will fluctuate and, hard as it may seem, we need to ride with these waves. Perhaps we can more easily withstand these unexpected downturns if we create a plan in advance on how we will react in situations like these.

We owe it to ourselves to master our fears and biases and stay calm. Seventy-three years of BetterInvesting principles have served us well. They will continue to guide us surely and steadily through both stormy seas and serene sailing.

Marion McLauchlan, President
K-21 Chapter of BetterInvesting

Missed Philadelphia Area Chapter Anniversary Club on the Spring Newsletter

Tallsman Investment Club	**30 Years**

Philadelphia Area Model Investment Club

PAMIC

The Philadelphia Area Model Investment Club is open to guest and opened to you becoming a member of the club. The meetings are held the second Saturday of each month from 9:30am12:00pm. The meetings are held virtually and in October it will be held in person at the Giant Super Store at 315 York Rd, Willow Grove as well as Virtually. To join virtually the link is below. **Philadelphia Area Model Investment Club**

Please join my meeting from your computer, tablet or smartphone.

https://meet.goto.com/461688397

You can also dial in using your phone.

Access Code: 461-688-397

United States: +1 (646) 749-3122

Get the app now and be ready when your first meeting starts:

https://meet.goto.com/install

Free Webinars

F.I.R.E
(Financial Independence, Retire Early)
Free Webinar
October 16, 2024, from 7:30pm - 8:30pm

Jackie Cummings Koski has been a member of BetterInvesting since 2008. She was a part of the Cincinnati Model Investment Club for over 12 years and served as president and vice-president. She joined the Ohio/Kentucky/Indiana (OKI) Tri-state Chapter board in 2009 as a director. She currently serves as Vice-Chair of the BetterInvesting Board of Directors and sits on the Investment Committee. She has presented at BINC and was a 2024 keynote speaker. She also presents at regional educational events for the OKI and other BI chapters.

Jackie is probably best known for sharing her story of reaching FIRE (Financial Independence, Retire Early) in her 40s making less than six figures. Her journey to building that wealth and understanding investments began with joining a BI investment club. She just released her new book "F.I.R.E. for Dummies" (https://a.co/d/0augnCtM) which was featured in the May 2024 edition of BI Magazine.

She has made multiple appearances on CNBC's Closing Bell to share her thoughts on the stock market from an individual investor's perspective. She was also featured on the Emmy award- winning Rachael Ray Show, and her fascinating story has appeared in the New York Times, Forbes, CNBC, MarketWatch and other major media publications.

Jackie holds the Certified Financial Planner® and Accredited Financial Counselor® credentials and earned her master's degree in financial planning & financial therapy from Kansas State University.
You can learn more about Jackie here:
https://linktr.ee/moneyletters

Jackie is determined to help raise America's financial IQ through education and financial literacy, which she believes is grossly lacking in schools, government, and other agencies designed to serve the public. The Financial Independence, Retire Early (F.I.R.E.) movement has inspired many to optimize their finances and retire sooner than they ever imagined. This creates the time freedom and happiness you want years, or even decades, before the traditional age. *F.I.R.E. For Dummies* shows you how to make financial freedom and early retirement a reality.

To Register: **https://attendee.gotowebinar.com/register/16975800729332061**

Current State of the Equity Market

Free Webinar

November 20, 2024, from 7:30pm - 8:30pm

Title: Current State of the Equity Market

Synopsis - We will review the current state of the equity market using the S&P 500 as the market measure. We will look at:

- **Underlying macroeconomic factors including the impact of govt. actions**
- **Corporate earnings and fundamental measures of the market**
- **Market Technical**
- **Market Sectors that do well in the current recovery/growth phase Brief Bio -**

Dr. Rajeev Vaidya is a retired senior executive from a Fortune 100 company and has been doing pro-bono work on investor education for over 3 decades. He is a Director Emeritus in the Philadelphia chapter of BetterInvesting.

To Register: https://attendee.gotowebinar.com/register/8356536201920873056

Introduction of Investing with Fundamentals of the BetterInvesting

Stock Analysis Methodology

November 2, 2024, from 9am-3pm at the Community Center at Giant in Willow Grove, 315 York Rd. Willow Grove

This Class is an introduction to investing and the BetterInvesting Stock Analysis methodology. You will learn to complete a Stock Selection Guide (SSG) while increasing your knowledge of investment and financial terminology. You will learn to analyze a company to determine whether to buy, sell, or hold, and how to use data produced by independent analysts such as Morning Star and Value Line. You will obtain a basic knowledge of stock analysis using the on-line SSG Core and the SSG Plus. Fee: $20

To register by Eventbrite, go https://www.eventbrite.com/e/copy-of-investing-with-fundamentals-of-the-betterinvesting-stock-analysis-tickets-952036977227

OR Make check payable to: Philadelphia Area Chapter of BI and mail to Gloria Mankonen at 1106 Cowpath Rd. Hatfield, PA 19440

Investor Day with Doug Gerlach

December 7, 2024, 9am - 4pm

Portfolio Construction Zone
Sure, picking individual stocks can be fun and rewarding, but are you merely assembling a collection of companies or are you building a healthy portfolio? In this special one-day educational event, Doug Gerlach will make sure you have the tools to build a stock portfolio that will stand the test of time and help you meet your financial goals.

Presentation Topics

Portfolio Diversification by the Numbers
A golfer with only a sand wedge in his bag. An orchestra of only tubas. A football team of 22 wide receivers. A chef with a frying pan and no other cookware. If you can understand why these might occasionally be brilliant but generally not provide optimal outcomes, then you're on the way to understanding why diversification is important. BetterInvesting recommends that investors and clubs embrace diversification as a risk management technique. But how does it work? And how should it be implemented? It turns out that there is much research that supports the principles of diversification. Exploring the data and science behind correlation, volatility, risk, and return helps to understand why under-diversification is a problem, and how to best construct a diversified stock portfolio.

Combating Megastockfluenza in Your Portfolio
A winter case of the flu can make a person feel unfocused and unenergetic, unable to move off the couch or get out of bed. Many individual investor portfolios suffer from a similar lack of forward motion due to "megastockfluenza," a syndrome wherein portfolios include way too many slow-growth mega-cap stocks, those popular brand name companies operating in consumer and retail sectors that are "comfortable" to buy and hold. While there is a place for these stalwarts in a portfolio, overweighting in large- and mega-cap stocks can hold back portfolio returns over time. But treatment is available, and portfolio health can be greatly improved by focusing on better growth opportunities that are available in small and midsized company stocks. Learn the risks of focusing too much on the very largest companies in the market and how to improve portfolio returns and reduce volatility by boosting small and midsized stock exposure.

Make Better "Sell" Decisions in Your Portfolio
Using the SSG and other BetterInvesting tools, it's possible to determine "optimal" buy and sell prices. Unfortunately, those prices often don't provide enough justification by themselves to make a confident decision. Stocks languish in the "maybe" zone. Weak company fundamentals make a stock appear to be too cheap to pass up. And stocks that have seen huge price run-ups may be approaching their sell prices on the SSG but still be prudently held in a portfolio. With a better understanding of the five different levels of valuation, investors can make better decisions about handling the under-, over-, or hyper-valued stocks in their portfolios.

Investment Club Portfolio Tune-Up
Doug will review portfolios of investment clubs that have been submitted, making suggestions about potential pitfalls and avenues towards improvement.

Closing of 2024 Club Taxes

Open to the Public

Cost $35-Lunch Included   Event to be at the Giant Community Room in Willow Grove, PA
To register by Eventbrite:
https://www.eventbrite.com/e/investor-day-with-doug-gerlach-tickets-974152304767

To register by Mail use information below:

Make check payable to: **Philadelphia Area of BI**

Mail check to: Gloria Mankonen, 1106 Cowpath Rd, Hatfield, PA. 19440

For More Information contact - Gloria Mankonen *(contact@philly.betterinvesting.net) or* ***call 215-796-1214***

Article

Roth IRA Fees Impact Your Return on Investment

Generally speaking, Roth IRAs are a great way to save up for your retirement. Created through the Taxpayer Relief Act of 1997, this alternative to traditional IRAs lets you make post-tax contributions today so you can take tax-free withdrawals from your account in the future. While a Roth IRA paves the way for easy money later, that doesn't mean it's free.1

Over time, a Roth IRA is subject to a number of fees. Just as your investments can compound over time, so too can your costs from fees. That's because even though the fees levied today may seem tiny, that lost money never gets to appreciate over time. All of that growth vanishes once you pay a fee.

For example, if you have $150,000 invested with an annual 6% return, the account would have grown to approximately $643,781 over 25 years. Now, let's say you pay 2% in fees each year, leaving you with a 4% return. Your account would then grow to $399,875. That's still a nice amount to fall back on, but it represents a nearly $244,000 reduction. Preparing for your eventual retirement by opening a Roth individual retirement account (Roth IRA) can be a great way to set some money aside for your retirement years. However, just because you've contributed money out of pocket doesn't mean that you'll get every penny back. Most retirement plans come with fees attached, and your Roth IRA is no different.

Knowing which fees, you'll be responsible for—and how they'll affect your bottom line—is an important step to take today to ensure that your future is comfortable.

"ALL FEES HAVE THE SAME IMPACT ON INVESTMENT RETURNS," SAYS CAROLYN MCCLANAHAN, A CERTIFIED FINANCIAL PLANNER AND FOUNDER OF LIFE PLANNING PARTNERS. "THE HIGHER THE FEE, THE LESS THE RETURN."

How You Can Manage Your Roth IRA Fees

According to a 2023 survey by The American College of Financial Services, the average retirement income literacy score among Americans was 31%.

A lack of knowledge about saving for retirement can lead to some major financial losses just from fees alone. Though Roth IRA fees are inevitable, you can mitigate their damage by optimizing your portfolio while investing for your future.

Think of your investment portfolio as a living financial account that ebbs and flows along with the market. By paying attention to the market and adjusting your portfolio accordingly, McClanahan explains that you can actively nudge your investments to help reduce your fees.

“You can use a portfolio of low-cost investments such as index funds instead of actively managed accounts,” she says.

If you would rather have your Roth IRA handled by a broker or investment manager, you’re going to be charged a specific fee called a wrap fee. These fees are based on a percentage of the total assets under management and pay for any services rendered by those handling your investments for you.

Thanks to a 2010 Internal Revenue Service (IRS) ruling, these wrap funds can be deducted from your account balance or paid out of pocket. Though it may be easier to just let that fee come out of your total balance, McClanahan says the latter is often the better option, since “paying for fees out of pocket allows more of your Roth to grow tax-free for retirement.”

Though Roth IRA withdrawals can be made at any time regardless of your age, your earnings are only tax- and penalty-free if you’re at least 59½ years old and have had your Roth IRA open for at least five years.

Types of Roth IRA Fees to Expect

Aside from any fees that a financial institution or account manager may charge, such as an early termination fee, a Roth IRA comes with some inherent fees. These are largely unavoidable and common across most Roth IRA offerings.

Account Maintenance Fees

Maintaining a Roth IRA can be time-consuming for the provider. One way to compensate for the effort is to charge an account maintenance fee. This fee is outlined clearly in the initial account paperwork and can be paid either monthly or annually, though many Roth IRA providers tend to waive this charge.

Transaction Fees

One area where you can make your money work for you in a Roth IRA is to invest in exchange-traded funds (ETFs). Each time you make an investment, you may end up having to pay a transaction fee. Depending on what you’re trading, the costs may vary, so pay special attention to your IRA provider’s terms and conditions before taking this step.

Mutual Fund Expense Ratios and Sales Loads

Mutual funds can contain a mini portfolio of securities or stocks, but they can end up costing you twice. First, there’s the expense ratio, which covers the operational costs of maintaining the mutual fund. Meanwhile, a sales load can be described—albeit overly simplistically—as a fee for every transaction of shares.

What Is the Maximum Annual Contribution to Your Roth Individual Retirement Account (Roth IRA)?

How much you can contribute annually to your Roth individual retirement account (Roth IRA) depends on your tax bracket. Under current federal law, the maximum that a single person can contribute to a Roth IRA is $7,000 a year in 2024. If you're age 50 or older, you can contribute an additional $1,000. Single tax filers must have a modified adjusted gross income (MAGI) of $146,000 or less to contribute the full amount.[5]

Is There a Fee to Open a Roth IRA?

Typically, there's no cost to open a Roth IRA, though each provider is different. You may be required to make a minimum deposit when opening a Roth IRA. Be sure to check with your provider.

What Is Better, a 401(k) or a Roth IRA?

Whether a 401(k) or Roth IRA is better will depend on the specific investor and the circumstances. A 401(k) has a larger contribution limit than a Roth IRA and no income limits, whereas a Roth IRA does. Additionally, a 401(k) is provided by an employer and usually comes with a matching contribution. A Roth IRA does not since it is opened by an investor on their own. Roth IRAs do allow contributions to be withdrawn at any time without penalty whereas with a 401(k) you cannot withdraw until you are 59 1/2 without a penalty.

The Bottom Line

Roth IRAs are a great way to set yourself up for a great retirement. As well as making consistent contributions and starting as early as possible, you'll want to keep an eye on the fees that you pay for the account. Pay careful attention, because even fees that seem small add up to large sums over decades—which cut into your account balance and impact your returns.

Some strategies include choosing low-cost investments such as index funds instead of actively managed funds; understanding terms such as expense ratio and sales load; and learning as much as you can about fees for maintaining the account or making transactions.

KEY TAKEAWAYS

- Many retirement plans come with fees that take away from the returns of your portfolio.
- Common fees include maintenance fees, transaction fees, expense ratios, and sales loads.
- Even small fees can result in a major loss of profit over time but paying these fees out of pocket can protect your account balance.

The idea is to keep as much money in your Roth IRA for as long as possible before you start dipping into those funds. Even seemingly miniscule fees can siphon your account balance over time and hinder your return on investment.